

Bennington Banner

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State officials push for bonds to fund construction projects

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BENNINGTON --Three local legislators and state treasurer Jeb Spaulding met at the Mount Anthony Union Country Club last week, not to play golf, but to talk transportation.

In anticipation of next year's legislative session, the group is putting aside partisanship to spearhead an effort to make GARVEE bonds a reality for transportation infrastructure, said Sen. Dick Sears, D-Bennington. This would be a critical move if the state wants to continue to fund big transportation projects and still take care of smaller, but no less important jobs, like paving and bridge rehabilitation, he said.

GARVEE (Grant Anticipation Revenue Vehicle) bonds are used in a similar way to grant anticipation notes, which allows the government to fund projects based on anticipated revenues.

Spaulding is part of a Legislature- and governor-supported committee charged with the task of looking into alternative ways to fund transportation, including GARVEEs. Members include the chairmen and vice chairmen of the House and Senate transportation committees and the state secretary of transportation.

Spaulding is an advocate of GARVEE bonds, but still has some convincing to do, he said.

"There are some good old boy groups in both houses who are adamantly opposed to borrowing money for transportation," said Sears. On the first day of the 2003 session, Sears introduced S.47, a bill authorizing the issuance of GARVEE bonds and "(other legislators) laughed at me," he said.

Bonds are normally used by the state to finance things like schools, courthouses and jails, said Sears.

"We pay for those with all of the taxes we have in the state," said Sears.

GARVEE bonds only use a small portion of future federal transportation appropriations, he said.

Sen. Richard T. Mazza, D-Grand Isle, is the chairman of the Senate Transportation Committee and is one of those who was not convinced of the merits of GARVEE bonds last year, he said in a telephone interview this week.

"I said I'd be open to listening to the advantages and disadvantages," he said.

"(If you) bond for \$1 million, how far does it get you?," he asked. "I'm more interested in how much the feds will give you, how much of an increase will it be."

GARVEE bonds is "basically borrowing ahead on your own money, borrowing in anticipation of revenue from the (federal government)," said Mazza. "I'm not convinced at this time that that's the answer."

The legislators said they know that bonding is not panacea but feel there is an urgency to keep up with transportation projects. The court's ruling to put off work on the Circ highway will mean that construction on it and the Northern leg of the Bennington Bypass in 2008 and 2009 will clash, said Rep. Timothy R. Corcoran, II, D-Bennington, a member of the House Transportation Committee.

With a "big bulk of money invested in those two projects," now is a key time to make a strong push to free up money and redirect it to repairing roads and bridges, said Corcoran. GARVEE bonds can allow that to happen, he said.

"It's not a cure-all," said Corcoran, but "it allows us to move forward."

This is politically the right time to pursue this in the Legislature, said Rep. Joseph L. Krawczyk Jr., R-Bennington. The bond rate is at a record low, and "it's not a silver bullet, but it's the jump start to put some money toward major projects and state and local highways," he said.

Those projects are important because of the pull to get people to visit Vermont and buy and sell products here, said Krawczyk.

Spaulding said progress is being made toward the acceptance of GARVEE bonds for transportation projects - just getting it on the agenda of the committee he sits on was a coup, he said.

GARVEE bonds make sense by allowing projects to be paid for and completed in a shorter amount of time and while interest rates are low, said Spaulding. The more time projects take to complete, the higher the cost, he said.

Krawczyk gave the example of the Bennington Bypass. If it had been done 40 years ago when it was first conceived, the money used to pay for the almost-complete Western leg would have paid for all three legs, he said.

One fear that the legislators said some of their peers have about the bonds is, "well, we're mortgaging our future," said Sears.

Another fear that Spaulding said is a misplaced one, is that bond rating agencies will lower the state's credit rating if it takes on GARVEE debt.

GARVEE debt is not lumped in with the state's total debt, he said. Spaulding has made personal visits to creditors and is confident that a modest GARVEE debt would have no impact on the state's credit rating, he said.

"I would have nothing to do with it if I thought it would have a negative effect on our credit rating," said Spaulding.

He proposed that with their eight- to 12-year payout, GARVEE bonds could allow the state to catch up on projects with a pay-off once a decade.

"You'd never fall as far behind," he said.

A report from the treasurer's office says that there will be \$152 million needed per year to maintain current conditions for bridges and paving by fiscal year 2011. The current level of funding per year is \$58 million, according to the report.

"Everyone realizes that there's a huge infrastructure problem in Vermont," said Corcoran. Raising gas taxes or erecting toll booths are not popular revenue-raising answers, he said.

GARVEE bonds, on the other hand, are a sound proposal, he said.

Another positive is the fact that if used for transportation projects, the bonds would only be used for those purposes, unlike the capital bill, which pays for everything from water filtration to lighting the Bennington Battle Monument, said Spaulding.

Vermont is not the first state to consider GARVEE bonds as part of a solution for transportation needs that exceed the ability of the traditional pay-as-you-go funding methods, said Spaulding. They are used in New Hampshire, Rhode Island, Massachusetts and Virginia to name a few.

When the 2005 session starts, the Legislature would have to enact some statutory language supporting GARVEE bonds, said Spaulding.

Sears said he would introduce his language again.

Despite the fact that the Bennington Bypass would be helped by GARVEE bonds, there are projects across the state that would benefit as well, said the legislators.

Spaulding's committee is set to give its report on Jan. 15 and Gov. James Douglas remains a key person to influence, they agreed.

"We have no intention of changing our conservative debt management," said Spaulding. "We also don't want to put our heads in the sand."